



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0325	<b>Title:</b>	Assured coverage of colon cancer screening
<b>Primary Sponsor:</b>	Sands, Diane	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$221,348	\$238,069	\$256,128	\$275,631
State Special Revenue	\$136,050	\$146,309	\$157,390	\$169,357
Federal Special Revenue	\$85,325	\$91,760	\$98,709	\$106,214
Proprietary	\$3,060	\$3,291	\$3,540	\$3,809
DOA Group Insurance	\$392,300	\$421,884	\$453,835	\$488,341
MUS Group Benefits	\$207,300	\$223,044	\$240,048	\$258,411
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
DOA Group Insurance	\$392,300	\$421,884	\$453,835	\$488,341
MUS Group Benefits	\$207,300	\$223,044	\$240,048	\$258,411
<b>Net Impact-General Fund Balance:</b>	<u>(\$221,348)</u>	<u>(\$238,069)</u>	<u>(\$256,128)</u>	<u>(\$275,631)</u>

**Description of fiscal impact:** This bill creates an insurance mandate for covering colorectal cancer screening and examinations according to American Cancer Society (ACS) guidelines. Currently the State Employee Benefit Plan (State) and the Montana University System (MUS) Employee Benefit plan provide comprehensive screening to all employees for colorectal cancer. The plans currently utilize best evidence based outcomes and certain ACS guidelines.

## FISCAL ANALYSIS

### Assumptions:

1. The state and MUS Employee Group Benefit Plans currently provide free health screenings to all individuals over 18 years of age enrolled in the plan.
2. Existing health screening tests include access to a fecal occult blood test (FOBT) every year. ACS guidelines recommend testing routinely beginning at age 50 unless risk factors are present. The current screening tool offered by the state and the MUS permits a broader assessment by including all plan members including those with risk factors who are younger than age 50. This benefit would remain in place.
3. In addition to the annual screening tests, the state provides an annual preventive benefit for colorectal cancer screening and examinations that is limited to \$500 annually on the Traditional plan. This preventive benefit applies only if there is no active illness diagnosis (i.e. a positive finding in a FOBT, etc.) Family history without an additional clinical finding will apply only to the limited preventive benefit.
4. On managed care plans offered by both the state and the MUS, the benefit is subject to deductible and coinsurance on parity with other medical services and would not be impacted by this bill.
5. The ACS guidelines for individuals who are not considered average risk are non-specific regarding recommended tests or screening. For purposes of this fiscal note it is estimated that the additional costs for new technologies include virtual colonoscopies (CT colonograph), fecal immunochemical tests (FIT tests), and stool DNA tests.
6. Current clinical trials and peer reviewed scientific literature do not conclude that ACS guidelines provide services that are better than what is currently offered to state and university system plan members. (Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality [U.S. AHRQ] report on the U.S. Preventive Services Task Force recommendations and rationale for screening of colorectal cancer.)
7. The bill is unclear regarding member cost-sharing for colorectal screening services. Reimbursement for screening items must be equal to or greater than Medicare fee schedules under this legislation. It is anticipated that the state and MUS plans will pay the full charge billed by providers with no savings from negotiated contractual allowances or member cost-sharing.
8. There are 9,759 individual over age 50 on the state plan who are not covered by Medicare. For the MUS plan there are 5,221 individuals.
9. Standard colonoscopies require an invasive procedure. Virtual colonoscopies (CT colonography) are an imaging procedure that are much less invasive for the individual. (Please see technical note 1 below.) By adding virtual colonoscopies, it is estimated that there will be an increase in the number of individuals over age 50 opting to have a colonoscopy.
10. The MUS plan studied colorectal screening therapies during 2008. Based on preliminary estimates of prevalence relative to the existing standard colonoscopy, it is anticipated that over a five year period, an additional 5% of the eligible population will opt to access a minimally invasive virtual colonoscopy annually.
11. This equates to 749 new virtual colonoscopies per year  $[(9,759+5,221) \times 5\%]$  in addition to standard colonoscopies currently performed.
12. In instances where the virtual colonoscopy is inconclusive, a standard colonoscopy with biopsy will also be performed. Based on data from providers who currently perform virtual colonoscopies, it is assumed that both types of colonoscopy will be performed in 2% of the total virtual colonoscopy screening cases.
13. For purposes of this fiscal note, it is assumed that the 2% who will have both types of colonoscopy procedures would not have had any colonoscopy procedure otherwise. (Please see assumption #9 above.)

14. The number of additional standard colonoscopies with biopsy performed will total 15 (749 x 2%).
15. Based on data from providers in the state who perform virtual colonoscopies, the average billed charge is estimated to be \$700 per screening.
16. Based on historic claims data for the state and MUS, the cost of a standard colonoscopy with biopsy is estimated to be \$2,820.
17. For the 749 individuals who will have virtual colonoscopies the total annual cost would be \$524,300 (749 individuals x \$700 each).
18. For the additional 15 people who will also have a standard colonoscopy with biopsy, the annual cost is estimated to be \$42,300 (15 x \$2,820).
19. For FY 2010, the total cost is estimated to be \$524,300 + \$42,300 = \$566,600.
20. For FY 2011 - FY 2013, the medical trend inflation rate for both the state and MUS Plans is projected to be 8%.
21. For FY 2011 - FY 2013, the total cost including medical trend will be \$611,928, \$660,882, and \$713,753 respectively.
22. There are three additional types of early screening tests. The fecal occult blood test referenced in assumption 2 above has a cost of approximately \$5 per test. (The FOBT test is the current test used by the state and MUS.) The fecal immunochemical test (FIT) has a cost of approximately \$20 per test. Finally, a stool DNA test is estimated to cost \$275 per test.
23. During the last plan year, the state and MUS conducted a total of approximately 2,200 FOBT tests (700 for the MUS and 1,500 for the State).
24. If plans are required to cover the FIT test, it is anticipated that it will replace the FOBT test due to ease of usage for the patient.
25. The increase in costs for using the FIT test vs. the FOBT test will be (\$20-\$5) x 2,200 individuals or \$33,000 annually. For purposes of this fiscal note, it is assumed that the costs of the test kits will remain the same during FY2010-FY2013.
26. Stool DNA test types currently vary. They utilize varying levels of genetic markers (1-23) to analyze samples. The greater the number of markers used, the higher the level of specificity and sensitivity in the test (i.e. greater accuracy). A significant drawback to use of this test is the difficulty in obtaining and handling samples to permit proper testing. The Department of Administration has been notified by laboratories performing this test that the FDA is currently reviewing certain DNA colorectal cancer screening tests. In addition, stool DNA tests have not been shown to achieve greater specificity or sensitivity than existing FIT tests. For purposes of this fiscal note, it is assumed that a very low number of these tests will be performed and no additional costs are anticipated during the next biennium.
27. The state and the MUS employee benefit plans would require additional funding to cover this increase benefit expenditure in order to be actuarially sound as required by state law. The funding could come either from additional appropriations shown on the funding portion of the fiscal note or through additional premiums assessed to state and MUS group health insurance plan members.
28. The state employee group benefit plan is funded as follows: 42.79% general fund, 34.68% state special revenue fund, 21.75% federal funds, and .78% proprietary funding.
29. For the MUS, 60% of these costs are associated with the current unrestricted fund. The state's general fund would participate in 43% of these costs.

## Department of Administration – Group Benefits

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$392,300	\$421,884	\$453,835	\$488,341
Benefits and Claims	\$392,300	\$421,884	\$453,835	\$488,341
<b>TOTAL Expenditures</b>	<b>\$784,600</b>	<b>\$843,768</b>	<b>\$907,670</b>	<b>\$976,682</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$167,865	\$180,524	\$194,196	\$208,961
State Special Revenue (02)	\$136,050	\$146,309	\$157,390	\$169,357
Federal Special Revenue (03)	\$85,325	\$91,760	\$98,709	\$106,214
Proprietary (06)	\$3,060	\$3,291	\$3,540	\$3,810
Group Insurance (06)	\$392,300	\$421,884	\$453,835	\$488,342
<b>TOTAL Funding of Exp.</b>	<b>\$784,600</b>	<b>\$843,768</b>	<b>\$907,670</b>	<b>\$976,684</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Proprietary (06)	\$0	\$0	\$0	\$0
Group Insurance (06)	\$392,300	\$421,884	\$453,835	\$488,342
<b>TOTAL Revenues</b>	<b>\$392,300</b>	<b>\$421,884</b>	<b>\$453,835</b>	<b>\$488,342</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$167,865)	(\$180,524)	(\$194,196)	(\$208,961)
State Special Revenue (02)	(\$136,050)	(\$146,309)	(\$157,390)	(\$169,357)
Federal Special Revenue (03)	(\$85,325)	(\$91,760)	(\$98,709)	(\$106,214)
Proprietary (06)	(\$3,060)	(\$3,291)	(\$3,540)	(\$3,810)
Group Insurance (06)	\$0	\$0	\$0	\$0

## Office of Commissioner of Higher Education (Conduit of State Funding to MUS)

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Transfers	\$53,483	\$57,545	\$61,932	\$66,670
<b>TOTAL Expenditures</b>	<b>\$53,483</b>	<b>\$57,545</b>	<b>\$61,932</b>	<b>\$66,670</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$53,483	\$57,545	\$61,932	\$66,670
<b>TOTAL Funding of Exp.</b>	<b>\$53,483</b>	<b>\$57,545</b>	<b>\$61,932</b>	<b>\$66,670</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$53,483)	(\$57,545)	(\$61,932)	(\$66,670)

## MUS Group Insurance

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$207,300	\$223,044	\$240,048	\$258,411
<b>TOTAL Expenditures</b>	<b>\$207,300</b>	<b>\$223,044</b>	<b>\$240,048</b>	<b>\$258,411</b>
<b><u>Funding of Expenditures:</u></b>				
MUS Group Benefits	\$207,300	\$223,044	\$240,048	\$258,411
<b>TOTAL Funding of Exp.</b>	<b>\$207,300</b>	<b>\$223,044</b>	<b>\$240,048</b>	<b>\$258,411</b>
<b><u>Revenues:</u></b>				
MUS Group Benefits	\$207,300	\$223,044	\$240,048	\$258,411
<b>TOTAL Revenues</b>	<b>\$207,300</b>	<b>\$223,044</b>	<b>\$240,048</b>	<b>\$258,411</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
MUS Group Benefits	\$0	\$0	\$0	\$0

Sponsor's Initials

Date

Budget Director's Initials

Date